



SC Tourism, Hotels, Restaurants Marea Neagra S.A.

Headquarters: Romania, Mangalia, Lavrion street No.29, Constanta county

Tel: + 40-241-752-452 Fax: + 40-241-755-559

No. of Trade Registry Office: J13/696/1991, CIF: RO2980547,

IBAN: RO71RNCB0117015163140001 Romanian Commercial Bank - Agency Mangalia

Capital subscribed and paid: 57.894.993.9 lei

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Report of

Board of Directors of SC THR Marea Neagra SA for the individual financial statements prepared for 2016

Annual Report as per: Accounting Law 82/1991, OMPF 2844/2016 on approval of accounting regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, Law 297/2004 on the capital market and CNVM Regulation no. 1/2006 regarding the issuers and operations with securities.

For financial year **2016**

Name of the company: **Turism, Hoteluri, Restaurante Marea Neagra S.A.**

Headquarters: **str. Lavrion No. 29, Mangalia, Constanta County**

Tel/Fax: **+40241-752-452/0241-755-559**

Single registration code with the Trade Register Office: **2980547**

Number in the Trade Register: **J13/696/1991**

Regulated market trading issued securities: Bucharest Stock Exchange

The share capital subscribed and paid: **57.894.993,9 lei**

Main characteristics of the securities issued by the company: **Bursa de Valori Bucuresti**

Paid capital: **57.894.993,9 lei**

Main characteristics of the securities issued by the company: registered shares, ordinary, dematerialized and indivisible with a nominal value of 0,1 lei / share.

1. Company's activity analysis

1.1.

a) Description of activity of the commercial company

Our main activity is the classification according to NACE 5510 - "Hotels" - namely the provision of accommodation, catering, spas and tourism facilities. The activity takes place in our places of business, registered and classified in accordance with regulations in force, providing all operating permits required by law.

b) Date of incorporation of the company

Commercial company was established on 05.03.1991, under the name SC Eforie SA.

The company has changed its name from Eforie SA into THR Marea Neagra SA in 2005, as per Decision of the delegated judge in Constanta Trade Registry with number 10.687/24.01.2005, and during 2011, the company moved its headquarters in Mangalia Str. Lavrion no. 29, jud. Constanta.

c) Description of significant merger and reorganization

In 2016, there were no mergers or reorganizations.



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d) Description of acquisition and/or disposal of the assets

The company was established by transforming state economic units in companies, with up capital by contribution in kind of assets represented by units in territorial disputes hotel resorts on the coast, into use during 1968-1972 and hotel units that were nationalized.

Given the age of the assets as the large volume of investments necessary to maintain their tourist circuit, the company is carrying out in accordance with the shareholders' decision a restructuring strategy and development.

In 2016, under the restructuring strategy, the company continued selling assets, and modernization of assets approved for maintaining heritage.

Revenues from the sale of assets were used as intended budget or finance the investment program, with the other owned and attracted financial sources.

1.1.1. Elements of the overall assessment:

- a) Gross profit: **5.542.344 lei** ;
- b) Total revenues: **49.530.342 lei** (of which adjustment operations and cancellation provisions and adjustments for impairment **1.084.785 lei** and deferred income tax revenue of **29.269 lei**);
- c) Turnover: **34.942.411 lei**
- d) Export: not applicable
- e) Total costs: **43.987.998 lei** ((without current income tax and deferred, **1.087.038 lei**);
- f) % of the market held: **12.80%** of the local tourism market
- g) Available in account: **7.334.692 lei**.

The company operates through its production facilities located in the tourist resorts of national interest Eforie Nord, Eforie Sud, Neptun, Venus and Saturn are among the leading companies of its kind in the country.

The company also has in its hotel units located in markets with well established positions in national; some have a growing market in Europe.

The activity is highly seasonal, being tied to the seasonal activity area or Romanian coast of the Black Sea.

To mitigate seasonality, the company has targeted investment program to develop their own capacity to provide medical treatment facilities using natural treatment factors specific date having 4 bases of its treatment in the hotel complexes "Hora", " Balada", " Sirena"- Saturn and Hotel Complex "Bran-Brad-Bega" Eforie Nord, the latter being commissioned in 2012.

Operational activity produces income that lead to a positive economic and financial results, able to ensure coverage of all operating costs, but also business growth through the development of own sources of financing programs of investments.



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Concentration of revenues in a limited period of the year (June to August) involves temporary financing activities from other sources or bank loans, to be reimbursed as achieving revenue collection for the financial year in progress.

1.1.2. Assessment of technical level of the Company

Description of the main products and/or services provided specifying:

a) Main markets for each service and distribution methods

In 2016, THR Marea Neagra SA has exploited in a number of direct management a number of 7494 beds and 10 005 places of catering, located in touring resorts on the Romanian coast of the Black Sea in units classified in category 4 * 3 * 2 *.

Its main products are packages of accommodation, catering, spas, recreation (spa, swimming pools, and cold baths mud).

An important distribution channel is the online selling through specialized sites, but also through its website sales channels fastest growing in recent years with high growth potential market.

Direct sales to receipts hotels especially on weekends, have significant share in sales, the company is organized to receive and resolve requests to hedge their optimal capabilities for services.

The tourism product of the main accommodation capacities are distributed and foreign markets under contracts with foreign partners - the European market, the main foreign partner is Thomas Cook - second worldwide tour operator that distributes product in tourism in Germany, Netherlands, Poland. In the Romanian market this partner of SC THR Marea Neagra SA holds more than half of the market share, with an upward trend in the future.

b) Structure of the income for the main categories of services

Indicators	Actual (lei)			Share of total revenue (%)			Share of total turnover business (%)		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Total revenues, excluding revenue adjustments	47.460.009	42.793.291	48.416.288	100,00	100,00	100,00			
Turnover, including:	29.559.945	34.183.783	34.942.411	62,28	79,88	72,17	100,00	100,00	100,00
- Accommodation	17.231.591	20.878.291	20.160.054	36,31	48,79	41,64	58,29	61,08	57,70
- Table	8.731.786	9.659.528	10.617.463	18,40	22,57	21,93	29,54	28,26	30,39
- Rents	367.410	526.661	1.339.102	0,77	1,23	2,77	1,24	1,54	3,83
Other income included in Fiscal Value	3.229.158	3.119.304	2.825.792	6,80	7,29	5,84	10,92	9,13	8,09



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Total revenue, excluding revenue adjustments and deferred income tax recorded by the Company in financial year 2016 amounted to 48.416.288 lei increased by 13.14% compared to 2015(48.416.288 lei/ 42.793.291 lei).

Within total revenue, turnover totals 34.942.411 lei, positive trend compared to the previous year, to 2,2% (34.942.411 lei/ 34.183.783 lei)..

Revenues composing turnover in 2016 were made from conducting activities as it follows

- Accommodation;
- Food and drink;
- Rent;
- Other income- parking, swimming pool, medical services, etc.

Percentage in the turnover structure is the income from activity of accommodation is 57.70%. Compared with 2015, they registered a slight decrease, by 3.5%, due to rental of two fully active and unfulfilled contract with the National House of Pensions.

Revenues from catering constituted in 2016, 30.39% of turnover, an increase from 2015 by around 10% (10.617.463 lei / 9.659.528 lei).

Rental activity represented a small percentage of the turnover, namely the 3.83%. Revenue from this activity in the amount of 1.339.102 lei, was superior to those recorded in 2015, the growth is significant, 254%. The situation was determined, in this respect, mainly by rental in 2016, of assets: Complex Miorita, Complex and Semiramis.

Group "Other income" reflected in the turnover achieved through the deployment of secondary activities (treatment, parking, pool) amounted to 2.825.792 lei and represents compared with 2015, a decrease of 9.5%.

c) new products contemplated in the development stage of these products

The company prioritizes conservation, the development and creation of new tourism products, given the current market requirements for such services.

Along with its products embodied in packages of accommodation, catering, spas, entertainment, the company aims to develop the capacity of existing and the development and modernization of information system allowing online reservations and other services required by tourists.

The tariff policy and contracting conditions have created incentives for agencies tour operator consisting of:

- Facilities for families with children;



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- The “Early Booking ” program;
- Commissioning a maximum of 20% in commissions for sales agents to charges under the contract;
- Non-commissioning of the catering services by the customer to the provider paying them a commission of 13%;
- Providing additional discounts (volume) at the end of the season.

Special offers were launched in order to boost sales packages:

package deals during some holidays (Easter, Rusalii, St. Mary), offers to boost online sales (discounts for cashing expendable, discounts for collection of advance bookings, offers 'best deal' offer 'Last minute' discounts reservations at certain times, flight + treatment) offers boardroom, participation in programs promoted by organizations of tourism ('Seaside for all', 'Decade spa', 'Let's baths', 'A week of recovery'). Also, in order to stimulate direct sales it has been implemented on its website Bookassist for booking.

1.1.3. Assessment of the technical-material supply activity

Technical and material supply was based mainly on domestic sources of raw materials, with a few exceptions, namely investment that we used to import sources.

The company has implemented an integrated management system for quality, environment, food safety (EN ISO 9011: 2008, ISO 14001: 2005 and EN ISO 22000: 2005) which covers the segment of supply being implemented for specific operational procedures.

Purchases were made from traditional suppliers, manufacturers or importers, large companies, those with accreditation materials, ISO certified according to European norms and standards.

Suppliers are selected by a selection committee, based on established criteria and a score, reflecting mainly price/quality ratio.

With specific regard to supply sources mention that all raw materials purchased are accompanied by certificates of conformity, warranty certificates, data sheets.

Stocks of raw materials are minimal given the low season period.

1.1.4Assessment of sales activity

a) Description of sequential sales evolution on domestic and foreign markets and sales prospects in the medium and long

The company has been operating mainly based on tourism signed service contracts with travel agencies, the National House of Public Pensions (contract treatment), foreign tourism, other



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beneficiaries, online sales. 2016 compared to BVC and achievements of the previous year, tourist traffic is as follows:

Days Tourist	CNPP	Agencies	Own account	Online	Other beneficiaries	TOTAL
Conducted at December 31, 2016	138.900	197.922	18.933	23.218	24.435	403.408
BVC 2016	153.841	170.635	14.631	15.147	31.774	386.028
Differences Made-BVC 2016	-14.941	27.287	4.302	8.071	-7.339	17.380
Powered percentage 2016/BVC 2016	90,29	115,99	129,4	153,28	76,9	104,5
Powered Dec. 31. 2015	161.938	199.130	17.888	15.899	34.076	428.931
Differences Percentage 2016/made in 2015	-23.038	-1.208	1.045	7.319	-9.641	-25.523
Percentage BVC 2016/Made in 2015	85,77	99,39	105,84	146,03	71,71	94,05
Percentage REB 2016/Made in 2015	95	85,69	81,79	95,27	93,24	90
Differences BVC 2016/Made in 2015	-8.097	-28.495	-3.257	-752	-2.302	-42.903
Share structure in 2016	34,43	49,06	4,69	5,75	6,06	100
Share structure in 2015	37,75	46,42	4,17	3,7	7,94	100

As you can see, in 2016 was made a circulation of 403.408 tourist-days representing an increase over the budgeted 4.5% (403.408/368.028).

From the analysis of tourist traffic, we observe:

- Treatment contract signed with the National House of Public Pensions (CNPP) provided a tourism traffic of 138.900 thousand tourist-days in 2016 with less than 14,941 tourist days budgetary provision for this period, the progress of the contract is 92.61% . In comparison with 2015, the number of tourist days was conducted percentage of 85.77%.

- Tourist traffic through travel agencies decreased from 2015 to 1208 tourist days and to budget provisions grew by 16%. The decline in this indicator compared to 2015 was due to the failure number of tourist dayss because renting of two assets of the Company (Miorita complex and Semiramis complex). At their 2015 tourist traffic through travel agencies accounted for a total of 12,012 days-tourist.

- Segment sales for own account increased by 29.4% compared to the budgetary provisions, ie 5.84% over 2015.



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- Online sales segment recorded a significant increase in 2016 compared to 2015 (146.03%) and to BVC with 153.28%.
- The company signed contracts with other beneficiaries (unions, associations, sports federations, etc.) based on which there has been a tourist circulation of 24,435 days-tourist, compared with 31,774 tourist days budgeted, representing 76.90% from budgetary provisions.

Another indicator of tourist traffic, the number of tourists registered a similar evolution to that expressed in tourist days in their own on-line and the average stay registered similar values to those of last year.

Explanations	Treatment	Agencies	Own account	Other beneficiaries	Online	TOTAL
Number of tourists in 2016	8.460	31.485	5.891	4.071	6.226	56.133
Number of tourists in 2015	10.056	32.821	6.307	6.893	4.265	60.342
Differences 2016/2015	-1.596	-1.336	-416	-2.822	1.961	-4.209
% 2016/2015	84,12%	95,92%	93,40%	59,06%	145,97%	93,02%
% 2016/Partners	15,07%	56,09%	10,49%	7,25%	11,09%	100,00%
% 2015/Partners	16,66%	54,39%	10,45%	11,42%	7,06%	100,00%
The average stay						
Arrival Environment 2016	16	6,29	3,21	6	3,72	7,18
Arrival Environment 2015	16	6	2,84	5	3,72	7,10
Differences 2016/2015	0	1,04	1,13	1,2	0	1,01

From analysis of the above resulted indicator average tourist stay a positive evolution in 2016, representing 7,18 days average stay from 7,10 days average stay in 2015, growth is mainly made from their own (3,21/2,84) and the agencies (6,29/6,00).

The average occupancy rate in 2016 was 59,15% compared to 2015 when it recorded 59,00%.

In the coming years we will continue in the adaptation of tariff policy and contracting market demands, creating favorable circumstances for agencies tour operator, granting discounts for volume, facilities for families with children, policy Registrations early failure commissions for sellers and bring benefits stimulate the sale of food. We pay more attention to online sales segment. We envisage the development of special offers designed to ensure an increase in tourist traffic and to continuously adapt the tourism product to market developments.



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b) Description of the competitive environment, the market share of the services and the main competitors

The company operates in an area where the main activity is the very object of our activity, namely the provision of accommodation, food, entertainment, the main attraction representing a beach and bathing water quality of the Black Sea and curative qualities the main natural resources spa cure, mud Techirghiol, Techirghiol Lake water, mesothermal sulphurous water, sea water and marine aerosols.

The area has the highest concentration of tourist capacities, creating a highly competitive environment, but also nondetermination, individual development generating increasing the attractiveness of the area, which resulted in the employers' organization of companies that establish common objectives and partnerships with local authorities.

Real competition is the external market with similar products, tariff policy distinguishing, identifying in this market as a competitor Bulgarian coast.

c) Description of any significant dependent society to a single client or to a company of clients whose loss would have a negative impact on company earnings

The tourism products of T.H.R. Marea Neagra S.A. have a wide national distribution and are available on all distribution channels (travel agents, websites, direct sales, etc.). As a result, the disappearance of a distribution partner will not significantly affect the tourism product.

An important customer is the National House of Public Pensions. Given that public procurement of this partner is retirees from the public sector by not buying these services do not cancel CNPP consumer demand. Health treatment is a necessary and ongoing product will sit on other distribution channels so that consumers can get to acquire the necessary product.

Correlated with the fact that our product is customized spa treatment, known and proven in the market, we will not encounter major difficulties with negative revenue impact if one of our main partners would withdraw from the market.

1.1.5. Assessment of aspects of employees/staff company

a) Regarding the human resources available locally in 2016 compared to 2015, the evolution of personnel was as follows:



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No crt.	Indicators	No average 31.12.2015	No average 31.12.2016	No pers on 31.12.2016
A	No permanent staff of which:	117	117	114
1	Personal Tesa	41	40	38
2	Personal Force	76	77	76
B	No seasonal staff	237	237	22
	Total	354	354	136
C	Directors and executive management	5	6	6

Compared to 2015, there is an average number of maintenance staff.

The situation in the dynamics of gross wages compared to income is as follows:

Nr. crt.	Indicator	2015	2016	%
1	Expenditure gross salary(lei)	6.160.974	7.337.480	119,10
2	Average number employees	354	354	100,00
3	Labor productivity (euro/employee)	95.564	98.707	103,29
4	Average monthly gross wage (lei)	1.448,64	1.725,86	119,14
5	Economy gross average salary	2.415	2.681	111,02
6	Minimum gross salary per economi(lei)	1.050	1.250	119,05

Gross wage costs recorded an increase over 2015 of 19.10% in terms of the average number of employees remained constant. The increase was caused by higher wages legislative requirements regarding the minimum gross salary per economy. Efficient use of human resources commensurate with a slight increase labor productivity in 2016 compared to 2015 by 3.29%

Compared to the average gross salary of 2.681 lei economy, the gross salary of 1.726 lei registered on company represents 64%.

b) Relations between the manager and the employees covered by collective bargaining agreements, is based on communication, involvement and team spirit, observing the rules and working procedures established by internal regulations, job description, without any elements of conflict.



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1.1.6. Assessment on impact of activity of the issuer on the environment.

The main activity of the Company is carried out in compliance with legislation on environmental protection requirements, obtaining environmental permits required for each type of activity on each site.

The company identified all its activities with potential environmental impact and has covered environmental standards ISO 14001: 2005 by procedures.

In 2016 the Company has not faced legal disputes regarding the non-compliance of environmental regulations.

2. Financial accounting situation

In 2016, T.H.R. Marea Neagra S.A. had organized accounting under OMF 881/2012 and 2844/2016 to approve accounting regulations in accordance with International Financial Reporting Standards. By this order, it was stated that the companies whose securities are listed on the regulated market, which include the Black Sea and THR are required to prepare financial statements in accordance with the regulations mentioned above.

In accordance with the regulations mentioned financial statements are audited annually by an audit firm ABA Audit LLC, under contract for services 918 / 04.21.2015.

The situation in the dynamics of the main active posts compared with 31.12.2016 similar items in the years 2014 and 2015 is as follows:

ASSETS	Value at 31.12.2014 (lei)	Value at 31.12.2015 (lei)	Value at 31.12.2016 (lei)	Value at 2016/2015 (%)	Weight 2016 total assets (%)
Intangible assets	1.872	579.393	486.094	83,9%	0,19%
Tangible	201.232.493	230.551.784	213.085.900	92,42%	82,05%
Real estate investments	3.351.613	3.337.958	16.350.751	489,84%	6,30%
Financial assets	2.000	2.000	2.434.010	121.700,5%	0,94%
Receivables (including deferred tax)	1.972.807	1.536.509	1.394.641	90,77%	0,54%
TOTAL ASSETS	206.560.786	236.007.642	233.751.395	99,04%	90,00%
Stocks	929.254	652.446	617.337	94,62%	0,24%
Receivables	4.437.101	12.949.097	6.080.021	46,95%	2,34%
Financial assets	1.336	1.336	0	0,00%	0,00%
Cash	11.381.547	1.888.056	7.337.535	388,63%	2,83%
Assets classified as held for sale	7.350.672	4.073.434	11.007.555	270,23%	4,24%



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Expenses registered in advance	34.954	42.070	923.273	2.194,62%	0,36%
TOTAL ASSETS	24.134.863	19.606.437	25.965.721	132,43%	10,00%
TOTAL ASSETS	230.695.648	255.614.080	259.717.116	101,61%	100,00%

In the Company's assets have the largest share assets (90,00%), mainly land and buildings share being 10,00% of current assets.

On 31.12.2016, the assets was a decrease of 0,96% compared to 2015, following the change of destination of their classification as tangible property investment (Semriamis complex, complex Miorita) or as assets held for sale (Magura complex, complex Brandusa, Horia hotel, complex Venus, complex Tosca).

Analyzing the structure, tangible assets represent 82,05% of total assets. International Standards (IFRS) require the reclassification of the active depending on their use.

At current assets was an increase compared to the level achieved in the previous year, from 4.073.434 lei to 11.007.555 lei, increasing assets held for sale due to falling inventories.

Company receivables consist primarily of trade receivables; receivables represented the state budget VAT recoverable, deferred income tax receivables.

In 2016 liabilities had the following evolution:

LIABILITIES	Value at 31.12.2014 (lei)	Value at 31.12.2015 (lei)	Value at 31.12.2016 (lei)	Variation 2016/2015 (%)	Weight 2016 total passive (%)
<i>Subscribed and paid capital</i>	57.894.995	57.894.995	57.894.994		22,29%
<i>Capital adjustment due application of IAS 29</i>	0	85.945.333	85.945.333		33,09%
Share premium of which:	1.895.814	1.895.855	1.895.855	100,00%	0,73%
<i>Premium and merger</i>	1.895.814	1.895.814	1.895.814		0,73%
<i>Share premium inflated due application of IAS 29</i>	0	41	41		0,00%
Reserves of which:	17.573.064	21.308.421	22.542.869	105,79%	8,68%
<i>Legal reserves</i>	4.238.921	4.523.314	4.800.431		1,85%
<i>Other reserves</i>	13.334.143	16.785.107	17.742.438		6,83%
Therefore inflated reserves for the first time application of IAS 29	0	16.745.901	16.745.901		
<i>Legal reserves inflated due application of IAS 29</i>	0	1.280.018	1.280.018		0,00%
<i>Other reserves inflated due application of IAS 29</i>	0	15.465.883	15.465.883		5,95%



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Revaluation differences of which:	99.523.391	113.989.110	107.996.624	94,74%	41,58%
<i>Except earnings Retained earning the adoption of IAS 29 for the first time</i>	41.931.136	47.084.787	52.860.602	112,27%	20,35%
<i>From correction of accounting errors from previous years</i>	<i>(9.813.664)</i>	<i>(7.114.719)</i>	<i>(10.650)</i>		<i>0,00%</i>
<i>Surplus from revaluation reserves</i>	<i>54.937.852</i>	<i>58.374.296</i>	<i>52.870.621</i>		<i>20,36%</i>
<i>Originated form the transisiton to IFRS</i>	<i>(3.193.052)</i>	<i>(3.193.052)</i>	<i>0</i>		<i>0,00%</i>
<i>Retained earnings form adopting first IAS 29</i>	<i>0</i>	<i>(102.691.275)</i>	<i>(102.691.275)</i>		<i>(39,54%)</i>
Result for the year	5.794.927	4.368.054	4.455.307	102,00%	1,72%
Other elements of equitiy	(10.858.900)	(13.364.773)	(12.895.772)	96,49%	(4,97%)
Equity	213.754.426	233.176.408	234.750.438	100,68%	90,39%
Medium and long-term debt	10.994.247	14.243.171	16.847.728	118,29%	6,49%
Short term debts	5.946.976	8.194.503	8.118.949	99,08%	3,13%
TOTAL LIABILITIES	230.695.649	255.614.081	259.717.116	101,61%	100,00%

Within passive elements, the highest share have equity (about 90,39%), capital representing 22,29% of total liabilities.

Equity on 31.12.2016 consists of:

- capital subscribed and paid in the amount of 57.894.994 lei, unchanged over the last three years;
- primes issue and merger in the amount of 1.895.814 lei, unchanged over the last three years;
- legal reserves and other reserves in the amount of 5% from gross income, but no more than 20% from the social capital, in amount of 4.800.431 lei, with an increase over last year with 6,13%
- other reserves representing distributions of profit for their own sources of funding in the amount of 17.742.438 lei with an increase over 2015 of 5,70%;
- differences from re-evaluation of the company's assets amounted to 107.996.624 lei from 2015 which fell 5.26% due to sell certain assets;
- earnings came mainly from the revaluation reserve surplus in the amount of 52.860.602 lei, of which 6.654.108 lei taxed;
- Net result for the year amounted to 4.455.307 lei has increased from that of 2015 by 2,00%.

We mention that revaluation since 01.01.2004 is recognized in terms of tax revenues as similar items as depreciation of tangible assets and their output. For these temporary differences between the carrying amount and the tax, IAS 12 requires the calculation of deferred income tax, which reduces the value of equity (included in the table above under the heading other capital related items) and add to the debt.



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Long-term liabilities arise mainly from tax asset amounting to 12.960.731 lei and credits for investments in the amount of 2.400.000 lei.

Deferred income tax is not due and will be recognized as a liability payable, as depreciation or output of heritage assets.

Payable consist of trade payables in the amount of 1.277.643 lei, including wage related taxes and contributions in the amount of 486.623 lei tax liabilities in the amount of 1.040.142 lei and otherwise, with due dates after 01.01.2017, the company does not have outstanding debts.

The result of the financial year

Revenues and expenditures made on the two major categories of activities, in relation to BVC 2016 and the achievements of 2015, are presented as follows:

Indicators	Accomplished 2014	Accomplished 2015	Accomplished 2016	BVC 2016	Index 2016/ 2015	Index 2016/ BVC 2016
Total operating revenue	47.145.263	42.521.288	47.788.719	49.358.947	112,39%	96,82%
Activity Accommodation	17.231.591	20.878.291	20.160.054	18.604.517	96,56%	108,36%
Restaurant business	8.731.786	9.659.528	10.617.463	14.000.000	109,92%	75,84%
The activity of rental	367.410	526.661	1.339.102	1.477.272	254,26%	90,65%
Other revenues included in sales business (spas, parking, pool entry, etc.)	3.229.158	3.119.304	2.825.792	3.254.000	90,59%	86,84%
The sales activity active	15.665.455	7.260.763	10.919.946	10.508.158	150,40%	103,92%
Other income (production assets, adjustments, fines, penalties, etc.)	1.772.388	1.076.741	1.926.362	1.515.000	178,91%	127,15%
Changes in inventories	147.476	0	0	0	-	-
Total operating expenses	39.223.581	36.890.701	42.291.921	42.843.517	114,64%	98,71%
Expenses Stocks	6.810.411	6.640.216	6.843.669	7.349.750	103,06%	93,11%
Expenditure on utilities	2.171.376	2.519.713	2.550.082	2.299.000	101,21%	110,92%
Employee benefits expense	6.867.354	8.838.433	10.259.533	10.945.104	116,08%	93,74%
Deprecioation and amortization and impairment of assets	6.017.854	6.343.921	6.857.190	6.290.670	108,09%	109,01%
Expenditure on property, transferred and assets held for sale	7.905.542	3.381.254	5.895.660	6.098.789	174,36%	96,67%



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Other taxes and fees	2.729.099	2.214.712	3.331.056	3.294.004	150,41%	101,12%
Expenditure on external supply	5.787.752	6.223.432	6.391.764	4.437.800	102,70%	144,03%
Other expenses	934.194	729.019	162.965	2.128.400	22,35%	7,66%
Operating result	7.921.682	5.630.587	5.496.799	6.515.430	97,62%	84,37%
Financial income	314.746	272.003	627.569	905.696	230,72%	69,29%
Financial Charges	575.732	149.304	582.023	250.000	389,83%	232,81%
Financial Result	-260.986	122.700	45.545	655.696	37,12%	6,95%
Total income	47.460.009	42.793.291	48.416.288	50.264.643	113,14%	96,32%
Total expenses	39.799.313	37.040.004	42.873.944	43.093.517	115,75%	99,49%
Gross profit	7.660.696	5.753.287	5.542.345	7.171.126	96,33%	77,29%
Expenditure with current income tax	1.886.183	1.250.391	1.116.307		89,28%	-
Expenditure with tax postponed	0	134.842	0		0,00%	-
Income tax deferred income	20.413	0	29.269		-	-
The net result	5.794.927	4.368.054	4.455.307	7.171.126	102,00%	62,13%
Indicators	Accomplished 2014	Accomplished 2015	Accomplished 2016	BVC 2016	Index 2016/ 2015	Index 2016/ BVC 2016
The operational activity						
Activity of						
Income	31.479.808	35.260.525	36.868.773	38.850.789	104,56%	94,90%
Costs	31.318.038	33.509.446	36.196.673	36.744.728	108,02%	98,51%
Gross profit from activity base	161.770	1.751.078	672.100	2.106.061	38,38%	31,91%
Financial activity						
Income	314.746	272.003	627.569	905.696	230,72%	69,29%
Costs	575.732	149.304	582.023	250.000	389,83%	232,81%
Gross profit financial	-260.986	122.700	45.545	655.696	37,12%	6,95%
Total revenues from activity financial and	31.794.554	35.532.528	37.496.342	39.756.485	105,53%	94,32%



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operational						
Total expenses of the activity operational and financial	31.893.771	33.658.750	36.778.697	36.994.728	109,27%	99,42%
Gross activity financial and operational	-99.216	1.873.778	717.645	2.761.757	38,30%	25,99%
The sales activity active						
Income	15.665.455	7.260.763	10.919.946	10.508.158	150,40%	103,92%
Costs	7.905.542	3.381.254	6.095.247	6.098.789	180,27%	99,94%
Gross profit from the sale of assets	7.759.913	3.879.509	4.824.699	4.409.369	124,36%	109,42%
Total income	47.460.009	42.793.291	48.416.288	50.264.643	113,14%	96,32%
Total expenses	39.799.313	37.040.004	42.873.944	43.093.517	115,75%	99,49%
TOTAL GORSS PROFIT	7.660.696	5.753.287	5.542.344	7.171.126	96,33%	77,29%
Tax	1.865.770	1.385.233	1.087.037	0	78,47%	-
The net result	5.794.927	4.368.054	4.455.307	7.171.126	102,00%	62,13%

The total revenues recorded in 2016, amounting to 48.416.288 lei, representing 96,32% compared to the budgeted level of 50.264.643 lei and 113,14% compared to the volume registered in preceding 2015.

Total expenses recorded in the financial year 2016 amounting to 42.873.944 lei is 99,50% compared to the period stipulated in the BVC and 115,75% compared to 2015.

The activities in relation to share revenues, total revenues can be identified two categories, namely: core activity of the company (strictly operational), generating income in percentage 76,15% of total assets and sales activity, according to the approved strategy The Annual General Meeting of the company's restructuring, the revenue share of 22,55 % of the total.

The total profit realized in the amount of 5.542.344 lei shows. the activities. the following structure:

- basis activity (operational). MDL 672.100; 12,13%;
- assets sales activity. 4.824.699 lei; 87,05%;
- financial activity. 45 545 lei; 0,82%;

The basic activity generated a gross profit of 672.100 lei, financial activity, the 45.545 lei and work to asset sales, gross profit of 4.824.699 RON, resulting in a profit total for the work done in 2016 to 5.542.344 lei.



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In relation to the provisions BVC financial year 2016, the gross profit total achieved is 77,29% and the corresponding strict operational activity (672.100Lei) is about 32%.

Active sales activity led to a profit representing an excess of about 10% (109,42%), the level of gross provided in BVC.

Failure to achieve a significant amount of activity related gross operating profit, provided in BVC, by about 68%, it was determined by the influence of the following factors:

- Failure income food related activity contracted agencies of tourism. In this respect, mention that services with meals, so contracted were realized at a rate of only 37%;
- Amortization of costs increased amount of assets, to BVC with about 8% on account of acquisition of fixed assets (equipment) and to 2015 by about 7% caused by an increase in the assets, as a result of the upgrading works carried out;
- Increase spending on local taxes, to BVC 2016 compared with 1,12% and 2015, 50,4%. This increase was due to an increase in taxable value of assets, the revaluation effect according to Standard GEV 500;
- Significant increase by about 44% compared to the budgeted expenses external supply. Significant influence in their amount represented an amount calculated and paid by the company, by way of royalties assimilated to salaries, staff seasonal drew in Moldova.

Also, the costs of benefits to third parties were encumbered in their upwards and demolition amounts of active ingredients, in order to perform some works of investment.

Active sales activity generated a profit representing 109,42% of the provided in BVC, as mentioned above and is to use the sale of following activities:

- Real estate Alpha and Beta and related land -Saturn;
- Village Holiday Danube, land 460 sq m- Saturn;
- Complex Brandusa -Venus;
- Complex Neptune - Eforie Nord;
- Corresponding terrain Solero- Eforie Nord Brasserie;
- Property outlet water and the land Belona - Eforie Nord;
- green house - Eforie Nord;
- Laundry 7 tons - Eforie Nord;
- CTC Laboratory - Eforie Nord.

The company management took steps in 2016 to follow strict spending and resize them. Mainly, they were:

- managing arrivals by certain hotels and restaurants to ensure a high employment allowing their operation in terms of efficiency and for other assurance certain minimum conditions of operation;
- reducing consumption of utilities and their optimization by standardizing consumer crisis;
- direct supply units aimed at reducing transport costs, storage and distribution.
- rhythmical supply based on "need" well-founded, insurance stocks minimum;
- staff allocation proportional to the evolution of income;
- the return of goods from suppliers to the closure of units;
- restriction on overheads and administration;
- very careful tracking of correlating cash flow proceeds to payments, reduction the balance of the loans and the related interest;



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- follow strictly maturities budgets of state and local partners, to avoid delays which could lead to the payment of any penalties and / or fines;
- receiving a credit maturity, their respect towards the recovery procedure.

Concluding at the end of 2016. T.H.R. Marea Neagra S.A. recorded a gross profit of 5.542.344 lei. and net income. determined after deducting tax profit calculated according to the legal regulations in the amount of 4.455.307 lei

3. Financing of the activity of the company

During 2016, the parent company has funded work using own sources and by employing two lines of credit totaling 10.000.000 lei, which were used at the end of 2.500.000 lei.

The Company also contracted two lines of credit for financing investment, as follows:

- 1.950.000 lei. short-term credit;
- 3.200.000 lei. long-term loan (five years).

In 2017, to the date of this report, the company proceeded to full reimbursement, early, short-term loan amounting to 1.950.000 lei.

Regarding obligations to pay company not registered on 31.12.2016, overdue obligations in relation to the state budget, banks and other authorities.

4. The tangible assets of the company

4.1. The main accommodation and catering capacities of the Company, located in the tourist circuit in 2016 are:

Accommodations:

- | | | |
|--------------------|------------------------------|---------------------|
| - 2 hotels of 4 * | with a total capacity | 992 Accommodation |
| - 8 hotels of 3 * | hotels with a total capacity | 3.462 Accommodation |
| - 12 hotels of 2 * | with a total capacity of | 3.040 Accommodation |

Catering units:

- | | | | |
|---------------------|--------------------------|-------------|-------|
| - 3 restaurants 4* | with a total capacity of | 1.440 seats | — |
| - 7 restaurants 3* | with a total capacity of | 3.267 seats | |
| - 6 restaurants 2* | with a total capacity of | 4.174 seats | |
| - 2 day bars 4* | with a capacity of | 120 places | |
| - 9 day bars 3* | with a total capacity of | 554 | seats |
| - 2 cocktail bar 2* | with a total capacity of | 130 | seats |



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- 1 bar of 2* with a capacity of 170 places
- 2 buffets 1* with a capacity of 150 places

Entertainment units:

- 3 aqua park sites with a total capacity of 850 seats.

Spa treatment units:

- four treatment centers: Complex Bran-Brad-Bega Hora, Balada and Sirena with a total capacity of 5.350 procedures per day.

In total, the company had 2016 tourist circuit 7.494 beds and 10.005 places catering, distribution of the state is presented below:

Cat. Assessment	Eforie Nord		Eforie Sud		Venus		Saturn		Grand total	
	Units	Head	Units	Head	Units	Head	Units	Head	Units	Head
****	1	438	0	0	0	0	1	554	2	992
***	0	0	0	0	2	516	6	2.946	8	3.462
**	3	540	3	672	1	168	5	1.660	12	3.040
Total accommodation	4	978	3	672	3	684	12	5.160	22	7.494

Cat. Assessment	Eforie Nord		Eforie Sud		Venus		Saturn		Grand total	
	Units	Head	Units	Head	Units	Head	Units	Head	Units	Head
restaurants										
****	2	600	0	0	0	0	1	840	3	1.440
***	0	0	0	0	1	182	6	3.085	7	3.267
**	1	900	1	228	2	1.086	2	1.960	6	4.174
Total	3	1.500	1	228	3	1.268	9	5.885	16	8.881



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Cat. Assessment	Eforie Nord		Eforie Sud		Venus		Saturn		Grand total	
	Units	Head	Units	Head	Units	Head	Units	Head	Units	Head
Bars										
****	1	80	0	0	0	0	1	40	2	120
***	0	0	0	0	1	54	8	500	9	554
**	1	120	0	0	1	10	0	0	2	130
Total bars day	2	200	0	0	2	64	9	540	13	804
Buffets										
**	0	0	0	0	0	0	1	170	1	170
*	0	0	1	60	0	0	1	90	2	150
Total buffets	0	0	1	60	0	0	2	260	3	320
Total earnings publish	5	1.700	2	288	5	1.332	20	6.685	32	10.005

4.2 Description and analysis of wear properties of company

The assets held by the company are older than 45 years, generally being built during 1968-1972. Assets under own tourist circuit classification certificates and permits for operation, fulfills the legal requirements for comfort category respectively.

Some assets have been modernized in the last 10 years, the high level of comfort in one or two stars to three and four stars. The works performed were far-reaching, including consolidation, such as they recorded a lower wear than their age.

A particular activity is the existence of the heritage of productive units and auxiliary inoperable and others with partial operation, which hampers the core business and the economic result, given the necessary investment and shortage of funds, the market low real estate market and consequently reduced possibility capitalization asset sale approved by the company's strategy.

These assets generate costs both fixed and variable costs necessary conservation, nature fixed costs of taxes, as amended by Law no.227/2015 regarding the Fiscal Code with application since 01.01.2016.



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To optimize these costs has been provided partial operation of assets where possible, to reduce the volume of losses.

5. Evaluation of investment and development

The company is in a constant search for solutions to reduce costs, but also to attract new customers. The company implemented alternatives to produce electricity or heat for domestic hot water with solar energy, the solution is expanding. Also, considering the fact that the local administration has completed investment gas supply resorts, the company is considering connecting boilers and food blocks to the gas network, with a positive impact on the environment and efficient use of financial resources.

The company also completed the implementation of integrated information system for all units of accommodation and catering it holds the information systems of the main partners (National Pensions public agencies, tour operators), so you can get real time information on realization of tourist packages and their reallocation depending on requests and reconfiguration of pricing and sales policy.

In 2016, the Company made significant investments amounting to **19.750.386** lei (including VAT), of which the most important are listed below:

Nr. crt.	Investment objectives	Made in 31.12.2016
1	Narcis Complex - Phase II - works interior installations (228 rooms) and works Exterior - facades balconies, waterproofing, furniture, landscaping lounge restaurant Breakfast	6.673.195
2	Lidia complex - construction works, furniture, hotel TV system, system Air conditioning rooms	1.343.706
3	Hotel Hora - works railings balconies, rooms electrical works	1.275.749
4	Hotel Balada - works railings balconies, rooms electrical works	1.256.717
5	Hotel Aida - Finishing partial facades, construction and electrical works rooms and hallways, rooms furniture	849.894
6	Hotel Cerna - construction works interior bathrooms, cladding tiles 52 bathrooms, Plumbing	811.019
7	Hotel Miorita - works on facades, balconies construction	662.000
8	Complex Brandusa - interior painting works ctii 40 bathrooms, exterior painting 40 balconies, room furniture	469.359



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9	Restaurant Cerna - Enlargement works landscaping patio furniture	444.990
10	Ballad and Cleopatra pools - tiled cladding works, painting, pumps	326.160
11	Hotel Tosca - construction and installation works	125.536
12	Restaurant Aida - works plumbing and Electroviatormassage	143.230
13	Buffet Narcissus - construction works landscaping terrace, electrical	128.614
14	Hotel Cleopatra - Works bathrooms, exterior painting	113.281
15	Capitol Complex - works painting and exterior painting	101.755
16	Lawns disabled (bathrooms, rooms, ramps)	142.299
17	THR kitchen equipment units	138.537
18	Invested ii IT (licenses, equipment, software) of the additional license Opera for H Cleopatra BBB Complex, Hotel Aida	243.084
19	Switchboards, enclosures, electric meters to a total of 11 units	44.465
20	Other exterior construction works, waterproofing, electrical equipment and devices nature of investments	1.165.065
	Total investments without VAT	16.458.655
	VAT	3.291.731
	Total investment	19.750.386

To finance these investments were used own sources of funding:

Explanations	Value (RON)
Cash flow generated by selling assets with full payment"installment (VAT) after payment Income tax	19.261.366
Development fund	957.331
Attracted sources - bank credit	5.150.000
Amortization	6.925.648



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Own sources of financing	32.294.345
--------------------------	------------

The share contribution in providing financing for investments was represented by own resources, results from their workouts.

6. Specify potential problems related to ownership of the tangible assets of the company.

The main disputes/litigations of ownership of the company's tangible assets is related to:

- Land area of 197 sqm for the police headquarters in Eforie Nord (Office Technical), against Fortunescu A.
- Agency PTTR Ag. Travel Saturn, against the Romanian Post.

7. Market securities issued by the company

7.1. Specifying markets in Romania and other countries that the securities issued by the company.

It is a publicly owned company, according to the terminology provided by Law 297/2004 on the capital market, being registered with the Nat law Securities - Securities Office records.

THR Marea Neagra SA shares are listed on the second tier of the Bucharest Stock Exchange since August 15, 2002, with the symbol "EFO". On the last trading day of 2016, ie 30.12.2016, the closing of the Stock Exchange THR Marea Neagra SA SA shares were listed on the value of 0,0826 lei/share, compared to 0,0848 lei/share 31.12.2015.

7.2. Description of company policy regarding dividends. Specification of dividends due/paid/accumulated over the past three years and, if applicable, the reasons for any shrinking dividends during the last three years.

In 2013 shareholders of the company determined that the profits earned to be used for distribution established by law and the remaining net profit to remain available to the company to finance investments.

In 2014, the General Meeting of Shareholders decided to distribute dividends amounting to 2.026.325,00 lei, the remaining profit is allocated to legal reserves and distributions to fund the company's development.

For the 2015 Annual General Meeting decided to distribute profit for legal reserves, to their sources of financing and dividend is worth 3.137.436 lei.



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7.3. Description of any activities of the company to acquire own shares.

The company did not purchase own shares in 2016.

7.4. If the company has subsidiaries, including number and nominal value of the shares issued by the parent company held by subsidiaries.

The company holds interests in the share capital of other entities, as follows:

-100,00% of the share capital of SC Balneterapia SRL

- 32,059% of the capital shock in part of SCTransilvania Hotels & Travel.

7.5. If the company has issued bonds and/or other debt instruments, showing how the company pays its obligations to the holders of such securities.

The Company has not issued bonds during 2016.

8. The management of the company

8.1. Presentation of the company directors and the following information for each director:

THR Marea Neagra SA Company is managed by a Board of Directors consisting of five members, namely

Mielu Dobrin	-president
Prescure Titus	-member
Nicolae Butoi	-member
Dorinel Cazacu	-member
Dragos Calin	-member

The General Assembly of Shareholders of SC THR Marea Neagra SA has met on 21.04.2016 approved the appointment of Mr. Dragos Calin as a member of the Board of Directors of the Company for a period equal to difference of mandate that remains to be executed by the administrators in operation ie until the date of 19.03.2019.

All Board members were elected at the shareholder proposal SIF Transilvania.

The Board of Directors met regularly in meetings, according to Law 31/1990 and in accordance with the Articles of Association/Memorandum of company.



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The Board of Directors monitored the operational and financial performance of executive management through indicators and performance criteria set in the budget of revenues and expenses and other approved programs. All efforts of the Board and executive management were aimed at fulfilling the company's mission to provide quality services, with trained personnel. Also, the priority objective is to develop material and technical basis, rehabilitation and modernization of the existing through a coherent and consistent investment in terms of effective environmental protection.

Board of Directors to pursue work program proposed for 2016, implementation of the budget of income and expenses and monthly and quarterly investment program and approved repairs.

The effort forward and organization of the Board resulted in programs of future development of the company, marketing programs, programs computerization programs of promotion and recruitment and increasing the quality of tourism products, systems procedures for the main activities of the company and reconsideration of its organizational structure.

At the end of the reporting period, the company's executive management is provided by Mrs. Narcisa Georgiana Mosoiu – General Manager.

b) any agreement, understanding or family connection between that administrator and another person because that person was appointed as administrator;

n/a

c) participation in the company's capital of the administrator;

Mr. Mielu Dobrin, Chairman of the Board, owns 406.759 issued by the Company.

d) list of persons affiliated to the company.

Affiliates of THR Marea Neagra SA Company SA are:

- SIF Transilvania SA, which owns 77,71% of shares issued by THR Marea Neagra SA;
- Balneotherapy Saturn Ltd, a company in which SCTHR Marea Neagra SA holds 100% of shares issued;
- Transylvania Hotels & Travel S.A., A company in which THR Marea Neagra SA holds 32,059% of the share capital.

8.2. Presenting to senior executives of the company.



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Company's executive management was provided to date by Mr. Stan Virgil 30/09/2016 - General under the mandate contract concluded under Law 31/1990.

Board of Administration, met on 27.09.2016, decided to appoint Mrs. Narcisa Mosoiu as General Manager for the period 01.10.2016-30.09.2017.

a) the term for which the person is part of the executive;

The General Manager concluded with a contract according to Law 31/1990, the contract that expires on 30/09/2017.

b) any agreement, understanding or family connection between the person and another person because that person has been appointed as member of executive management;

It's not necessary

c) That person's participation in the company's capital.

Within the executive, Mrs. Mosoiu Georgiana Narcisa has a total of 1.500 shares.

8.3. For all persons presented in 8.1. and 8.2. the specify of any litigation or administrative proceedings involving the past five years, on their activity within the issuer, as well as those concerning the person's ability to perform their duties within the issuer.

n/a

9. Assessments of risk management company

9.1. Company Management provided and ensure prudent management of liquidity risk, aiming always ensure enough cash so as to cope with time payments on due date.

Specific work done, result in exposure to a variety of risks of the company as well as specific risks and financial market on which it operates. Risk is defined as the possibility of unfavorable results recorded deviations from expected levels due to random fluctuations. Significant risks represent risks with significant impact on the economic situation and/or reputational society.

The purpose of risk assessment is to identify the significance and effects of the risks assumed by the company in the investment activity.

In their activity, the Company may experience uncontrollable risks, which are generally associated with external factors such as macroeconomic conditions, legislative changes, changes in the competitive environment, etc. Usually, however, the Company faces risks controllable for adopting policies and procedures of active management (analysis, monitoring and control). These risks are



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associated with internal invoices and nature of activity, complexity of the organizational structure, quality of staff, etc.

The main risks to which the Company is exposed are:

- currency risk
 - o interest rate risk
 - o credit risk
 - o liquidity risk
 - o operational risk

Currency risk

The company is easily exposed to fluctuations in currency exchange rates, mainly if current accounts in foreign currency assets and liabilities in other currencies and assets and liabilities in lei, but contracts are strengthened in relation to other currencies, usually in EURO and/or USD. Share transactions or strengthened in other currencies is low, so that risk does not have much impact

Interest rate risk

The company's operating cash flows are affected by changes in interest rates, mainly if credit lines contracted depending on ROBOR rate. In recent years the reference rate ROBOR had a relatively constant trend, which makes this risk is reduced.

Credit risk

Credit risk is the risk of recording losses or estimated profits, as a result of non-fulfillment of financial obligations. THR Marea Neagra SA has sold assets in installments, which calculates and collects interest. The rest of the price for the contracts and interest are secured by mortgages on assets in favor THR, so the risk of not cashing is reduced.

Liquidity risk

Liquidity is the Company's ability to secure the necessary funds to meet all its obligations to pay direct and indirect, at a reasonable price at any time. Liquidity risk is the risk that current or potential that could be subject to profits and shares, following its inability to meet its payment obligations when due.

The company watched constantly to ensure a balance between its sources of funding and its short-term needs, such as had always cash to fulfill financial obligations. Company prepares monthly cash flow forecasts for periods ranging from six months to a year, so it can detect in time any potential lack of liquidity and may take steps accordingly.

Operational risk

Operational risk is the risk of recording losses or estimated profits due to internal factors such as scrolling inadequate of internal activities, existing staff or systems inadequate or because of external



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factors such as economic conditions, changes capital markets, technological progress. Operational risk is inherent in all activities of the Company.

The policies adopted by the company to prevent and manage operational risk, which can have a direct impact negatively on operating activity (base), taking into account every type of event that can generate such risks.

9.2. Elements of perspective on the company's activity

One product with high growth potential in the future is spa tourism. The company's units are located in resorts with natural cure factors. The company identified opportunity and obtained licenses to exploit these natural resources, extending the capacity of the treatment facilities, so we can meet demand for such services.

This segment health and wellness will ensure mitigation of tourist activities and will help us attract tourists and foreign, especially European area. European Directive no. 24/2011 sets forth the rights of patients in cross-border healthcare, providing the legal framework to be guaranteed rights of European citizens to health services in all EU countries. One of the main concerns of the company is to attract this segment of tourists.

Another direction of development is leisure tourism, which is a priority for the company, with stage design environment environmental redevelopment, including the development of leisure facilities. A major concern of the company is to expand distribution channels. The company is in constant search of new customers and strengthens relationships with current customers market.

10. The corporate governance

The Board of Directors met monthly meetings, according to Law 31/1990 re published and whenever needed, its duties as provided in the Articles of Association.

The Board of Directors monitored the operational and financial performance of executive management through indicators and performance criteria set in the budget of revenues and expenses and other approved programs.

During 2016 work was focused on managers carrying out of the activity of the company in accordance with the decisions of AGA, the law and the Articles of Association.

One of the constant concerns of managers has been increasing sales by developing sales department, identifying new customers and retaining traditional customers. It was also envisaged improving policies for promoting tourism products, by launching special offers and deals tailored for specific categories of tourists.



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Also, the Board was concerned about asset sales, approving minimum prices and conditions of sale of these assets. The company actively seeking potential clients, public auctions organized and conducted adequate advertising of such transactions.

Disputes within the company are systematically monitored so that each meeting of the Board was on the agenda at least one point on the main disputes society. The Board of Directors reviewed options that the company has in these cases and, where applicable, hired law firms specializing in such disputes.

Within the company organized two committees with the following components:

- Audit Committee: Butoi Nicolae and Prescure Titus
- Committee of remuneration: Mielu Dobrin and Cazacu Dorinel.

The company is managed in the single system, the company's executive management is provided by Mrs. Narcisa Georgiana Mosoiu, as CEO. General Manager duties are clearly defined mandate as stipulated in the contract signed with the company.

In the company there is implemented a system of internal control for the main activities being established work procedures. Internal control to ensure at all levels in the company being set up an office of internal financial control and management.

The internal audit activity was outsourced, and in this respect was signed a contract with SC MAN-CO SRL Bucharest. Internal Audit is directly subordinated to the Board of Directors.

The company joined a Code of Corporate Governance which approved new BSE Corporate Governance Code which came into force starting with 4 January 2016.

Financial and accounting reports of the Company are submitted to the tax authorities and bodies of the market in terms of the law.

Company registered on 31.12.2016 a share capital worth 57.894.993,9 lei subscribed and paid share capital, representing a total of 578.949.939 shares nominative, ordinary, dematerialized and indivisible with a nominal value of 0,1 lei / share. Thus, the company fulfills the provisions of Article 10 of Law 31/1990 on trade on the minimum level of capital for joint stock companies. All shares can be traded on BSE for free, without limitations on holding securities need to obtain the approval of the issuer or other holders securities.

During 2016 the share capital did not change in ownership structure 31.12.2016 communicated by the Central Depository, the following:

Shareholders	%	Number of shares	Value of capital (lei)
SIF Transilvania S.A.	77,71%	449.920.140	44.992.014,00
A.V.A.S.	0,09%	516.915	51.691,50
Alti actionari persoane juridice	12,84%	74.306.772	7.430.677,20



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Shareholders	%	Number of shares	Value of capital (lei)
Other shareholders individuals	9,36%	54.206.112	5.420.611,20
TOTAL	100,00%	578 .949. 939	57 .894 .993,90

The Company has no employee share grant schemes and there are no restrictions on voting rights. Also it is not aware of agreements between shareholders which may have restrictions on the transfer of securities and / or voting rights

The appointment or replacement of Board members and amending articles of incorporation are under the law, without society have special rules in this regard. To date proposals for members of the Board of Directors were made by the majority shareholder; the appointment is decided by the General Meeting of Shareholders. Chairman of the Board is elected by the members of the Board of Directors.

Board members have responsibilities on the issue or buy back shares. The management agreement stipulates that if the company or its directors interrupt the execution of the warrant, without just cause, the revocation or cancellation, will respond to the other party of any damages.

General shareholders' meetings are as follows:

- check the attendance list of shareholders, capital that each one it represents and finding fulfillment of legal requirements and the Articles of Association to the general meeting;
- presents items on the agenda of the convening notice and put to the vote;
- GMS decisions are taken by open vote, except for the appointment of managers and financial auditor is mandatory secret ballot;
- check voting results and recorded in the minutes of the meeting.

According to the provisions of As per Law 31/1990 and the Articles of Association, AGOA has following responsibilities:

- a) to discuss, approve or modify the annual financial statements, based on reports of the Board of Directors and the auditor and determine the dividends;
- b) to elect and dismiss the members of the Board, to appoint or dismiss the financial auditor and to set the minimum term of the audit contract;
- c) to agree with the remuneration for the current members of the Board;
- d) to decide on the management of the Board of Directors;
- e) to establish the income and expenses and, if necessary, the work schedule, the next financial year;
- f) to decide the pledge, lease or close one or more units of the company.



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The Shareholders have non-property rights (the right to participate in general meetings of shareholders, voting rights, right to information) and economic rights (right to dividends and the right to dispose of the shares).

11. Conclusions and proposal for profit distribution of the company

In 2016 the company has been operating in accordance with the Articles of Association, the decisions of AGA, the BVC, in compliance with legislation on the organization and Recognition of specific activity and capital market regulations.

Given the above, the Board proposes to the distribution of net profit of the black **S.C. T.H.R. Marea Neagra S.A.** in value of 4.455.307 lei, as follows:

-The legal reserve	=	277.117 lei
-Dividends	=	3.936.860 lei
-Own financing sources	=	241.330 lei

Chairman of the Board
Engineer Mielu Dobrin